

IDEAS FOR ACTION

THE RAMIREZ TASK FORCE ON THE  
EXECUTIVE DEPARTMENTS OF MONTANA

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IDEAS FOR ACTION:

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The Ramirez Task Force  
On The Executive Departments  
Of Montana

PLEASE RETURN

October, 1980

Ramirez for Governor  
Committee



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## A. INTRODUCTION





## A. INTRODUCTION

To: JACK RAMIREZ

RE: TRANSMITTAL OF TASK FORCE REPORT

The Watch Dog Task Force involved many citizens who devoted hours upon hours of work to review agencies of the Executive Branch of Montana government except those headed by elected officials.

They understood and I concur that the best government is the least government but the least government must be a good government.

With that in mind, the Task Force Report was prepared. It was prepared for a starting guide for the benefit of the next Governor, who will be a new Governor.

The Report is action-oriented. It deals with documented specifics that are shown under particular agencies but are not exclusive with them, but rather are widespread in the Executive Branch.

The Report is a means to save substantial tax dollars without even approaching the question of the number of employees in State government or the amount of services to Montanans.

But to put into effect savings even when you don't affect the level of employment or services requires questions as to effectiveness and need, goals and alternatives, and benefits relative to available funds.

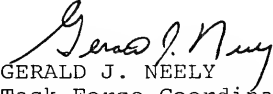
The Report does not dwell on praise of individual departments. Most are deserving of praise. Nor are the questions raised an indictment of anything other than the feeling that we can do no better. No comments suggest scandal, impropriety or illegality. Only that we can do better.

Constant study and action to coordinate agency efforts are needed to maintain the ability of the State to successfully plan and administer programs addressed to current problems.

To keep himself, the public, and the Legislature better informed, and to assure timely and appropriate action on problems rather than neglect, the Governor needs to acquire information.



He must have that information to make judgments about the extent to which the State's programs are producing desired results or creating more difficulties.

  
GERALD J. NEELY  
Task Force Coordinator

October, 1980



B. DEPARTMENTS OF THE EXECUTIVE



## 1. ADMINISTRATION

A. History. The Department of Administration was originally established under the office of the State Controller and was re-established under the Executive Reorganization Act of 1971.

B. Purpose. The Department is primarily responsible for the general administration of state government.

The major responsibilities include providing centralized services in the areas of:

- |   |   |
|---|---|
| .. Accounting Control and financial reporting | .. Capitol buildings and grounds maintenance and security |
| .. Communications                             | .. Building program maintenance                           |
| .. Building Code Regulation                   | .. Data Processing  |
| .. Investing state funds                      | .. Insurance coverage                                     |
| .. Personnel management and labor relations   | .. Purchasing   |
| .. Duplicating, mail, and messenger service   | .. Management Systems                                     |
| .. Records management                         | .. Administration of various retirement systems           |

C. Organization. The Department is headed by a director who is appointed by the Governor with the advice and consent of the Senate.

The Director is responsible for the overall administration of the Department and the appointment of division administrators, bureau chiefs and other department employees except certain systems attached for administrative purposes.

The Department consists of twelve divisions:

- |                     |                                 |
|---------------------|---------------------------------|
| .. Accounting       | .. Architecture and Engineering |
| .. Communications   | .. Data Processing              |
| .. General Services | .. Insurance and Legal          |
| .. Investment       | .. Management System            |
| .. Personnel        | .. Public Employee's Retirement |
| .. Purchasing       | .. Teacher's Retirement         |

For Administrative purposes, the following are attached to the Department:





.. Board of Administration	.. Board of Examiners
.. State Treasurer	.. Board of Investments
.. Merit System Council	.. State Tax Appeals Board
.. Teacher's Retirement Board	.. Workers' Compensation Court

There are various programs within the Department.

The Central Administration Program supervises and coordinates the programs and divisions of the Department. Its duties include accounting and budgeting for the Department's operations, office space allocations and property leases in the Helena area, and management and control of emergency and disaster funds.

State statutes provide authority for the Department to budget for and provide assistance to that person elected as governor who is not the incumbent governor, under the Governor Elect Program.

The Accounting Program operates the computer-driven Statewide Budgeting and Accounting System, which is used by state agencies to provide technical, financial, and managerial services to agencies. Pre-audits are performed, reports are produced monthly, and an annual report is published.

The Architecture and Engineering Program is responsible for overseeing design, bid-letting, awarding of bids, and construction of all state buildings and structures. The goal of the program is to promote functional and aesthetically planned buildings at a reasonable cost to the state.

The Legislative Support Program is for properly reflecting legislative overhead costs, maintenance, cleaning, utilities, and other costs shown in the executive budget.

The Information Systems Program is responsible for developing, and maintaining cost effective automated information systems for state agencies.

The Computer Services Program supervises and maintains the operation of the central data processing services for state agencies.

The General Services Program is responsible for building and grounds maintenance, cleaning, security and rent, plus central duplicating, printing and mail service.



The Management Systems Program provides for the development and maintenance of fiscal management and administrative control systems for state government. It has the goal of making management techniques of state government more efficient, effective and economical.

The Purchasing Program establishes rules and policy for state agencies in accordance with existing purchasing laws, and for the day-to-day administrative duties to contract for and purchase and/or sell quality material, supplies, and services for the state. The goal of the program is to obtain quality supplies, materials, and services for all state agencies at the lowest possible cost.

The Building Standards Program establishes minimum standards to safeguard the public in design and construction of all public buildings; and to address energy conservation in building design. The goal of the program is to achieve statewide uniformity of code enforcement.

The Surplus Property Program is responsible for providing a cost effective, centralized, statewide distribution of federal and State surplus property to eligible public and non-profit participants.

The Treasury function was transferred to the Department of Administration by 45th Legislature. This program is responsible for custody and accountability of all monies and securities belonging to or held in trust by the State. Included are the maintenance of records of account on state monies deposited in banks throughout the State and the keeping and reconciling of collateral records.

The Board of Housing Program is responsible for providing low cost financing for safe, decent and sanitary housing for lower income families in Montana.

The Investment Program has sole responsibility for investing state funds in accordance with state laws.

The Communications Program is responsible for providing voice, video and data communications systems to all state agencies.

The Emergency and Disaster Program was established to provide emergency financial assistance as required. Funds are disbursed after the Governor declares a state of emergency and the estimated losses exceed the reserves of the local governmental units. State statutes authorize the Governor, during a declared emergency, to expend from the general fund up to \$750,000 in any one biennium.



The Personnel Program is responsible for administering the centralized Classification and Pay Plan, the State Equal Opportunity Employment function and the State Employee's Health Insurance Program, conducting Labor Relations and Employee Training, promulgating uniform personnel policies and procedures. The Merit System has been merged into this program.

The State Insurance Program is responsible for the establishment of a comprehensive insurance and risk management plan for the State at the most favorable cost. The Program also provides legal services to the Department of Administration and its attached agencies.

The Passenger Tramway Safety Program regulates the design, construction and operation of all ski lifts within Montana, with the goal of maximum safety for the public.

The Records Management Program is responsible for the development and maintenance of records management systems, and also for the operation of a centralized microfilm service.

The Extradition and Transfer of Prisoners Program is charged with the approval and processing of travel claims submitted by the County Sheriffs.

The Workers' Compensation Judge Program is responsible for safeguarding the interests of parties to workers' compensation cases. This program was created by the 44th Legislature and replaces the adjudicative function previously in the Workers' Compensation Division.

The Merit System Bureau is responsible for providing a continuous recruitment and examination program for applicants seeking employment with the State "grant-in-aid" agencies. This Bureau has been merged with the Personnel Program.

The Public Employees' Retirement Division/Board of Administration is charged with the responsibility of administering seven separate retirement systems and the Federal-State Social Security Agreement. It is the primary goal of the Retirement Division to provide adequate retirement benefits on a funded basis to retired public employees in the most efficient manner.

The Teachers Retirement Board is authorized by statute. The staff assists the Board in operating the retirement system to provide retirement, disability, and survivor benefits in accordance with state statutes, rules, regulations and administrative policies promulgated by the Board.



The State Tax Appeals Board was created by the 43rd Legislature for the purpose of implementing Article VIII, Section 7, of the Montana Constitution to "provide appeal procedures for taxpayer grievance about appraisals, assessments, equalization, and taxes." In the performance of these duties, the Board strives to facilitate the efficient performance to best respond to the needs of the taxpaying public and to accommodate all parties of interest in hearings.

D. Personnel and Funds: Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees	180	461
Funds	\$17,255,000	\$22,762,000

E. Discussion

(1) Priority Computer Use: In the recent past, a state agency wishing to use the Department of Administration computers were allowed to assign a priority listing to a job that it wished to perform. The higher the priority listing, the sooner the job will be undertaken, and the agency then is charged a higher cost. To the extent that priority status is not justified, data processing expenditures of an agency are misrepresented and unnecessary costs are expended by the agency.

In 1978, nearly 8% of all computer time in the department was run under priority status.

It has been suggested that various state agencies use the priority status as a convenience, rather than as a necessity.

(2) Equipment Purchases and Lease Agreements:

There have been recent equipment and computer software purchase and lease agreements entered into without legislative approval. These total \$410,087 in fiscal 1980 and \$435,652 in fiscal 1981, payments on many of these agreements having been started in fiscal 1979.

It is essential that appropriations be based on long range plans submitted to the legislature for anticipated equipment purchases and lease agreements.





### (3) Funding for Incomplete Projects:

During many sessions of the legislature, funding is requested for projects which have received prior appropriations but have still not been completed.

Projects to have been completed in 1976 but not completed in early 1979 included fixed asset accounting, updating the Montana operational manual, and a warrant writing system.

It is essential that the legislature be aware of proposed activities during the biennium and whether activities requested to be funded in the biennium have been previously funded.

### (4) Inventory Procedures and Controls: Property Accountability:

A succession of audits over a period of years have demonstrated the lack of physical and accounting controls over plant, proeprty and equipment.

Each agency is responsible for the management of property within its jurisdiction. A physical inventory of fixed assets each year and a recording of all fixed assets that cost over \$100 or have an expected life of more than one year is required.

There is a serious question as to whether all departments have a listing of their assets, regularly take an annual inventory, and have marked or tagged all assets to indicate ownership and facilitate identification.

Adequate accounting and control over equipment is necessary to provide proper physical safeguards over state-owned property.

A review of successive legislative audits indicates that the matter may be a continuing one, and that departmental assurances as to future action, while honorable and well-intentioned, may be insufficient for the protection of state-owned property.

### (5) Failure to Implement Recommendations Concurred in:

The office of the legislative auditor regularly conducts examinations of departments to make sure that departments and divisions are carrying out only those activities or programs authorized by the legislature and doing so in an efficient and authorized manner.



There is, in the Department of Administration and other departments of state government, a pattern of noncompliance with the recommendations of the Legislative Auditor even after the department has concurred in the recommendation and assurances have been given as to implementation.

Examples abound, for instance, in audits of the Treasury Division. In the Audit Report of October, 1978 a few instances are as follows:

A similar situation was noted in our prior reports.  
. . . (p.4)

Although this subject was discussed in our prior report, the applicable prior report recommendation has not been implemented. (p.6)

In a prior audit . . . we recommended that . . . although the division agreed with our recommendation, it has not complied with it. (p. 14)

The matters involved are serious. For example, the Treasury Division accepts securities from contractors performing municipal construction projects in lieu of retainage provisions in the construction contract, with the securities being primarily in the form of certificates of deposit. Audits have regularly noted instances where records did not match securities actually held.

In 1977 the Legislative Auditor recommended that the division periodically review accounting records to disclose discrepancies between securities recorded and securities actually held. The division concurred.

In 1978, the auditor noted that, although the division had concurred in the recommendation, it had not complied with it. The auditor made the same recommendation. The response of the division was: "We concur with this recommendation."

As of late 1979, the auditor reported that the recommendation had still not been complied with.

Similar inaction has occurred in the Purchasing Department and is resulting in losses to taxpayers. The Purchasing Division is responsible.

As far back as 1970, the Legislative Auditor's Office noted that in purchasing supplies for the various agencies of state government:



The use of brand names as part of specifications does limit competition even though the brand names are only supposed to designate quality.

By 1974, the auditor noted that as to its recommendation, the Purchasing Department "is taking action . . . although the specific action . . . has not been formalized."

However, as of May, 1980, 44% of the purchase orders in the division contained brand name specifications and 84% of these did not carry a statement on the face of the request for quotation that alternate brands of equal quality would be accepted.

Since brand name specifications limit competition and increase the price of goods and services purchased by the state, their use should be restricted, a position the division has always concurred in. Not coming to grips with the problem in ten years, is, however, an indication of lack of departmental follow-through on auditor recommendations that has cost the taxpayer money.

The 1980 audit report indicated hundreds of thousands of dollars of taxpayer's money that could be saved by implementing their recommendations. When concurred in, the expeditious putting of those recommendations into effect is of substantial importance to the taxpayer.

F. Recommendations:

(1) Priority Computer Use: That

A. The Department of Administration ensure justification of priority runs on agency computers, to reduce unnecessary expenditures and to more properly reflect expenditures of various agencies;

(1) The Director of the Department of Administration provide the Governor with information for review as to what procedures have been established to ensure that priority status is not used by agencies for mere convenience; and if such procedures have not been established, what steps are necessary to do so.



(2) Equipment Purchases and Lease Agreements: That

A. The Department of Administration ensure proper legislative approval of equipment purchases and lease agreements.

(1) The Director of the Department of Administration provide the Governor with long range plans for anticipated:

(a) Equipment purchases;

(b) Lease agreements, including cost, type of financing, and justification.

(3) Funding for Incomplete Projects: That

A. The Department of Administration ensure that the legislature is aware of proposed activities on projects and is aware of requests for added appropriations for incomplete projects previously funded.

(1) The Director of the Department of Administration provide the Governor with an operational plan which details proposed activities during the biennium and past work plans.

(4) Inventory Procedures and Controls: Property Accountability: That

A. The Department of Administration justify that it has established adequate property accountability to safeguard state owned property;

(1) The Director of the Department of Administration provide the Governor with a list of divisions in the department which have not fully complied with management memo 70-17, issued by the director, and a fixed timetable of implementation of such implementation, with reference to:

(a) Listing of assets;

(b) Annual inventory;

(c) Marking or tagging of assets.

(5) Failure to Implement Recommendations Concurred In:  
That





A. The Department of Administration expeditiously put into effect recommendations of the Legislative Auditor which the department has agreed to accomplish, thereby effecting significant savings to the taxpayer.

(1) The Director of the Department of Administration provide the Governor with a list of audit recommendations concurred in, with a timetable of action thereon.



## 2. AGRICULTURE

A. History. The Department of Agriculture was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The Department was established to encourage and promote the interests of all agriculture and allied industries in Montana and to administer regulations pertaining to the production and marketing of food and fiber products.

The major responsibilities include providing:

.. Technical transportation expertise to agricultural producers	.. Leadership in agricultural products distribution and marketing issues
.. Administration of pesticide and insect surveillance and detection legislation	.. Regulation of the manufacture and distribution of fertilizers and animal feeds to make sure products are safe, effective, and correctly labeled
.. Published agricultural statistics	.. Encouraging and promoting scientific and practical research into all phases of wheat and barley culture, production, marketing and use
.. Enforcement of laws controlling the marketing of agricultural commodities	.. Offering grain growers insurance protection of crop loss due to hail
.. A crop market news service	
.. Regulation and protection of Montana agricultural activities through the administration of agriculture-related statutes	

C. Organization. The Department is headed by a director, who is appointed by the Governor with the advice and consent of the Senate, and who is responsible for the administration of the Department, its divisions, and its units.

The Department consists of seven divisions and units:

.. Centralized Services	.. Environmental Management
.. Plant Industry	.. Transportation
.. Crop and Livestock reporting	.. Wheat Research and marketing
.. Hail Insurance	



For administrative purposes, two groups are attached to the Department:

.. Wheat Research and Marketing Committee	.. State Board of Hail Insurance
--	-------------------------------------

The Department has various programs.

The following programs were recently organized into other programs within the Department: Administration, Marketing and Transportation, Pesticide Control, Commercial Feed and Fertilizer, Horticulture, Grain Laboratories, and Apiary Regulation.

The Centralized Services Program is responsible for administering the Rural Development and Marketing Programs. It promotes the interests of all agriculture and allied industries.

The Hail Insurance Program supervises the State Hail Insurance program which provides grain growers insurance protection against crop loss from hail. It is funded by farmers and ranchers who participate.

The Crop and Livestock Reporting Unit Program collects and publishes statistics concerning the production and marketing of crops and other agricultural products.

The Transportation Program provides technical transportation expertise to agricultural producers and commodity groups in Montana. It represents Montana agriculture freight rate matters before regulatory bodies, and also assists producers and distributors in the economical and efficient distribution of agricultural products at fair prices.

The Wheat Research and Marketing Unit encourages and promotes scientific and practical research into all phases of wheat and barley culture, production, marketing, and use.

The Environmental Management Program administers the Montana Pesticide Act, Insect Surveillance and Detection Act, the Noxious Plant Management Assistance Act, the Department's chemical analytical laboratory. It provides technical and consultant services to agriculture and the public in the environmental and pest-management areas.

The Plant Industry Program administers regulatory laws controlling the marketing of agricultural commodities. It



investigates consumer complaints pertaining to product quality; performs technical inspections and surveys; issues federal-state grade certificates; and provides technical expertise in areas of apiculture, horticulture, feed, fertilizer, seed and grain.

D. Personnell and Funds: Fiscal year full time equivalent employees and total funding or expenditures.

	<u>1972</u>	<u>1978</u>
Employees	56	85
Funds	\$920,000	\$2,145,000

E. Discussion:

(1) Expenditures and Appropriations

Appropriations in the account were overspent by \$258 in the Centralized Services Program and by \$321 in the Transportation Unit Program during Fiscal Year 1978-79. Total department General Fund expenditures during such time, however, did not exceed total department General Fund appropriation authority.

(2) Licensing Procedure and Data Processing

In 1971, the Department prepared approximately 2,000 license applications and periodic report forms, with the time spent on mailing and recording these applications and other forms approximating 1,100 hours per year.

In 1980, approximately 15,000 individual licenses are to be processed in about 15 different categories.

A large part of the Department's duties clearly involve licensing.

The opportunity exists for the Department to reduce the cost of licensing, increase efficiency, and improve control over licenses issued through the use of data processing for the preparation of applications, mailing, providing lists of licensees, and work load assignments for inspectors.

Data processing could also provide simple advantages such as preparation of gum labels for addressing forms and utilization of machine forms which could be used as a combination application/envelope.

Although programming work would be extensive, the hours spent by staff on licensing could be substantially reduced





after such a program became operational, and would free those employees to do vital field work.

One of the most difficult areas in licensing involves expiration and renewal dates and the notices in connection with dates. A mechanical means by computer of calling up each day the licenses which must be dealt with, would save substantial time.

The opportunity can be taken by the purchase of an in-house mini-computer or by a tie-in to the computer of the Department of Administration and utilizing it on a time-sharing basis. Such computer services are in use by a portion of the Department through Federal monies, but such a system should be Department-wide.

A review of successive recommendations back to 1971 by various governmental and private entities indicates that the time for study has long since passed, and that Departmental assurances as to future action, while honorable and well-intentioned, are insufficient to assure potential savings to the taxpayer, and the assignment of more critical duties to a limited staff.

### (3) Deposits of Money

State statutes require deposits on a daily basis when the accumulated coin and currency requiring deposit exceed \$100 or total collections exceed \$500 in an agency.

Untimely deposits result in lost interest to the state and weakens control over cash on hand.

The Department's allowing the various divisions of that department to determine when to make deposits of cash and checks collected has in the past resulted in untimely deposits to the State Treasurer and non-compliance with the law.

In July of 1976, \$3,509.00 was deposited that represented June, 1976, collections. These deposits did not reach the Treasurer's office in time to be recorded in the current fiscal year.

On June 30, 1979, there was approximately \$15,000 in cash on hand throughout the Department, with the amounts not being recorded in the State's official accounting records



until the next fiscal year. On January 25, 1980, cash and checks on hand at the Department totaled \$30,094, with the monies having been collected as early as January 18th.

A review of department collection records indicates that the Department has over a period of years, had significant amounts of cash and checks on hand many times during the year, and thus, dispels the conclusion that might be made that the situation represents periods of abnormally high collections due to license expiration, most of which occurs at year end.

A review of successive legislative audits back to 1976 indicates that the matter may be a continuing one, and that Departmental assurances as to future action, while honorable and well-intentioned, may be insufficient for the accomplishment of savings to the taxpayer and assurance of proper control of monies by the State.

#### (4) Rural Development Assets

The Department of Agriculture may own mineral rights on over 11,000 acres located in Custer, Prairie, Dawson, Lake, Valley, Phillips, and Blaine counties. Quit Claim Deeds to the Department have been recorded in the counties involved.

The rights, whatever they are, were acquired when the Federal Government constructed irrigation projects in Eastern Montana during the Depression. The projects were sold to local area ranchers and farmers; those mineral rights not purchased by the ranchers and farmers were quitclaimed to the State.

State Statutes provide that the Board of Land Commissioners shall maintain a central filing system and central index of all real property held, acquired, leased, administered, or disposed of by state agencies.

That information must be provided by the Department of Agriculture. These rights may be of high intrinsic value to the State, but as to their fair value and description are not currently properly recorded in any department or state accounting records.

Title should be quieted as to each of the properties involved, or such other action taken as recommended by legal counsel.



A review of successive legislative audits back to 1971 indicates that the matter may be a continuing one, and that Departmental assurances as to future action, while honorable and well-intentioned, may be insufficient to assure a full inventory and valuation of taxpayer properties.

(5) Inventory Procedures and Control:  
Property Accountability

Inventory procedures in a department should be developed and administrative oversight maintained to assure proper inventory control.

In the Grain Standards Bureau, nearly \$24,000 worth of equipment was purchased in 1979, but not included in inventory records as of January, 1980.

As of January, 1980, no annual inventory was being taken at that Bureau. To adequately control equipment purchases and disposals, the department should add or delete equipment from fixed asset records when a transaction takes place. The Department should take an annual inventory of all equipment and reconcile the results to the inventory records.

Past activity indicates that an exploration of the inventory procedures of the Department is in order.

F. Recommendations

(1) Licensing Procedure and Data Processing:  
That

A. The Department of Agriculture use the most cost-effective data processing equipment on a department-wide basis to print, issue, control, and monitor the various licenses issued by the Department, to release valuable personnell for important field operations;

(1) The Department of Administration recommend and provide the cost-effective basis therefore, to the Director of the Department of Agriculture whether there should be an in-house system or a tie-in to facilities of the Department of Administration.

(2) The Director of the Department of Agriculture submit the above, along with his recommendation, to the Governor for a decision.



(2) Timely Deposit of State Money: That

A. The Department of Agriculture increase revenue to the State from investments by timely deposit of collections in accord with law and regulations and institute procedures to ensure the same.

(1) The Director of the Department of Agriculture provide the Governor with information for review as to what procedures have been established to ensure timely deposits of money, and if such procedures have not been fully established or are not being fully enforced, what steps are necessary to do so.

(3) Rural Development Assets: That

A. The Department of Agriculture identify and value mineral rights owned by the State and not currently maintained in the Department of Lands, and provide to the Department of Lands such information as is necessary for compliance with applicable state law.

(1) That the Director of the Department of Agriculture provide the office of the Governor with information as to the timetable and steps necessary to implement the above.

(4) Inventory Procedures and Controls:  
Property Accountability: That

A. The Department of Agriculture develop inventory procedures to properly account for and control all equipment.

(1) That the Director of the Department of Agriculture provide the office of the Governor with information as to what procedures have been established to properly account for and control all equipment; and if such procedures have not been established, what steps are necessary to do so.

(2) See General Recommendations.





### 3. BUSINESS REGULATION

A. History. The Department of Business Regulation was implemented under the Executive Reorganization Act of 1971.

B. Purpose. To safeguard the public interest as it is affected by business activities in general and those business activities directly regulated in particular.

The major responsibilities include:

.. Licensing	.. Examination
.. Auditing	.. Testing
.. Enforcement of Public interest laws	

The authority of the Department includes state chartered institutions, the milk industry, weights and measures, and consumer protection.

C. Organization. The Department is headed by a director who is appointed by the Governor, with the advice and consent of the Senate. He is responsible for the administration of the Department and its divisions.

The Department consists of five divisions:

.. Centralized Services	.. Consumer Affairs
.. Financial	.. Milk Control
.. Weights and Measures	

Attached to the Department for Administrative purposes are two boards:

.. Milk Control	.. State Banking
-----------------	------------------

The Financial Program is responsible for insuring that funds of Montana citizens are reasonably free of risk of loss when deposited or invested in our state chartered financial institutions. Through periodic, unannounced examinations, adequate information is gathered for use in analyzing the solvency, financial strength and operations of the institutions to determine that they are being soundly managed and provide proper and adequate service to the public. In providing effective supervision and regulation



of financial institutions, administrative support (licensing), examinations and investigations are accomplished. New bank chartering decisions are the responsibility of the State Banking Board, with the Financial Division supplying administrative support and funding. The Program's overall goal is to make certain financial institutions are sound, well-operated and serve the public convenience within the laws and rules governing the operation of financial institutions.

The Weights and Measures Program safeguards the public in matters involving the commercial determination of quantity. It requires a just weight or measure on commodities bought or sold on that basis. It establishes uniform standards and is responsible for compliance with those standards. The Program provides licensing, inspection, calibration, testing and investigation. The Program's overall goal is to see that fairness prevails in all commercial transactions involving determination of quantity.

Centralized Services provides administrative and support services for programs within the Department. Services include fiscal, personnel, purchasing, legal and liaison designed to coordinate the affairs of the Department on a statewide basis. The goal of Centralized Services is to provide an effective administrative system through which the objectives of the Department can be achieved.

It is the responsibility of the Consumer Protection Program to protect the citizens of the state from unfair, illegal or deceptive business practices and transactions. The Program performs supervision of investigation, licensing, enforcement and educational activities in accomplishing the administration of consumer protection laws. The overall goal is to continue to maintain close supervision and to exercise efficient control over Consumer Protection functions of present and newly created legislative programs.

The Milk Control Program is charged with the responsibility of assuring an adequate supply of wholesome milk and fixing prices of grade "A" milk at all levels. In addition, the Program is responsible for determining the desirability of implementing base or quota programs as a method of paying producers the prescribed prices for their milk. In accomplishing the supervision of the milk industry, milk board hearings and audit and investigation are its primary activities. The overall goal of the Program is to promote intelligent production and orderly marketing of milk and milk products and to eliminate speculation and waste in assuring an adequate supply to the consumer.



D. Personnel and Funds: Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees	59	55
Funds	\$797,428	\$1,066,000

E. Discussion

(1) Compliance with Laws and Regulations.

One of the functions performed by the Legislative Auditor's Office is, when examining an agency, to determine whether an agency is complying with applicable statutes and regulations.

That review by the Auditor, however, does not necessarily disclose all compliance requirements of an agency, as it is not always within the scope of an Auditor's expertise to determine whether the laws, rules and regulations are being properly administered. Non-compliance, is, however, often noted.

Where non-compliance with a law exists, the agency should follow the law or should bring to the attention of the Governor the reason why the agency is not or cannot comply with the law; if the agency cannot comply, the agency should seek to change the requirement if it can be demonstrated that it serves no valid purpose.

Statutes in Montana require the financial division of the Department of Business Regulation to submit a report annually to the Governor on the general conduct of building and loan associations:

"32-2-306. Department report. The department . . . shall annually make a report to the governor of the general conduct and condition of the building and loan associations doing business in this state, with those suggestions as it considers expedient. The report shall also include the information contained in the statement required of the association, arranged in tabular form."  
Montana Code Annotated, 1979



In an Auditor's report of fiscal year ended June 30, 1976, it was noted that the Department had not complied with the above law. The Department of Business Regulation agreed that the report should either be submitted or the Financial Division should seek to change the requirement if it served no purpose.

A subsequent audit of October, 1979, indicated that it was still not being done by the Department.

The requirement may be of little value, but it is the law.

F. Recommendations

(1) Compliance with Laws and Regulations:  
That

A. The Department of Business Regulation comply with all applicable laws and regulations, or seek a change in such laws and regulations if compliance is impossible or if there is no valid basis for the law or regulation.

(1) The Director of the Department of Business Regulation provide the Governor with a list of statutes and regulations of which the Department has knowledge of or has been advised that it is not complying with, along with stated reasons why the Department cannot comply or what reasons exist that demonstrate that such laws and regulations serve no valid purpose, including proposals for any changes in the same.

See General Recommendations as to compliance with laws and regulations and implementation of audit recommendations.





#### 4. COMMUNITY AFFAIRS

A. History. The Department of Intergovernmental Relations was implemented under the Executive Reorganization Act of 1971. In 1975, the Department was renamed The Department of Community Affairs.

B. Purpose. The Department is responsible for administering laws and programs pertaining to relationships between the Federal, state and local governments.

The major responsibilities include:

- |   |   |
|---|---|
| .. Operating the State aircraft pool  | .. Providing technical assistance in planning, engineering and financing local airport development projects                 |
| .. Perform various air safety functions   | .. Encouraging citizen participation in available federal, state, and local decision-making processes                       |
| .. Promoting local community action   | .. Creating, implementing and maintaining a comprehensive highway traffic safety program                                    |
| .. Coordinating governmental resources to assist low income citizens                                    | .. Assure compliance with the rules and regulations of the Federal Revenue Sharing and Federal Disaster Assistance programs |
| .. Respond to informational requests regarding the legal and administrative aspects of local government | .. Land use planning  |
| .. Prescribing the general budgetary accounting system for municipalities                               | .. Providing information and analysis for various governmental agencies   |
| .. Promote equal, fair, and open housing  | .. Implementation of state economic planning and development policies.  |

C. Organization. The Department is headed by a director who is appointed by the Governor.

The Department consists of nine divisions.

- |                           |                                      |
|---------------------------|--------------------------------------|
| .. Highway Safety         | .. Local Government Services         |
| .. Aeronautics            | .. Human Resources                   |
| .. Planning               | .. Research and Information Services |
| .. Economical Development | .. Housing                           |
| .. Centralized Services   |                                      |



Attached to the Department for administrative and advisory purposes are:

.. Board of Aeronautics	.. Board of County Printing
.. Coal Board	.. Board of Housing
.. Indian Affairs Unit	.. Old West Unit

The Department has a variety of programs.

The Aeronautics Program is responsible for operating the State Aircraft Pool. The Pool provides air transportation for state officials. The program provides assistance in planning, engineering and constructing local airport development projects. The program also:

- .. operates and maintains state-owned airports, beacons, and air-to-ground communications
- .. develops and publishes the Montana Aeronautical Chart and Montana Airport Directory
- .. performs air search operations
- .. conducts workshops and classes in flight-related matters

The Human Resources Program promotes the local community action concept by encouraging citizen participation in available Federal, State, and local decision-making processes. It co-ordinates governmental resources established to assist low-income citizens, and mobilizes resources to promote state-wide anti-poverty efforts.

The Director's Office Program is responsible for the co-ordination of projects in the Department, and has the responsibility of carrying out the Governor's policies which affect local governments.

The Field Assistants Program is part of the Director's Office and it contains five geographically dispersed assistants to the Director who are available to local government officials to assist them in any area of concern that may be addressed by state government.

The Highway Traffic Safety Program is responsible for creating, implementing and maintaining a comprehensive highway traffic safety program in the State of Montana. The program co-ordinates federal, state and local activities and provides funding assistance for specific traffic safety



projects. The goal of the program is to reduce the traffic accident rate, the accident severity rate, and the fatality rate to the irreducible minimum.

The Local Government Services Program responds to informational requests regarding the legal and administrative aspects of local governmental operations, and assures compliance with the rules and regulations of the Federal Revenue Sharing and Federal Disaster Assistance Programs. It also audits counties, cities, town, and other governmental units.

The Accounting and Management Systems Program is responsible for prescribing the general budgetary-accounting system for the various municipal governments throughout the State. The Program conducts on-going training and educational seminars in governmental accounting for local officials.

The Planning program provides technical, professional, and financial assistance to various units of local government; it serves as a liaison between the State of Montana and local planning and land use programs and agencies. It also administers state and federal programs of housing assistance and transit assistance.

The Centralized Services Program provides budgeting, accounting, personnel, purchasing, and general administrative services necessary for the effective operation of the department.

The Special Projects Program was established to administer and distribute Federal Disaster Relief Funds to individuals and families which suffer serious needs as a result of declared disasters.

The Indian Affairs Coordinator is responsible for acting as a liaison between the State of Montana and Montana's Indians, making Montana Indian groups aware of federal and state assistance and development programs, and for soliciting Indian input and participation in the governmental decision-making process. It advises the legislative and executive branch on Indian affairs.

The Coal Board was created by the Forty Fourth Legislature and allocated to the Department of Community Affairs for administrative purposes only. The Board is responsible for reviewing and awarding financial grants to local governmental units and state agencies to assist local communities in meeting the impact of coal development.



The Research and Information Program provides special information and analysis for various governmental agencies and private research organizations. Specific functions of the program consist of developing and operating social, economic, demographic information systems and providing a special data storage and retrieval center for various federal, state, and local agencies.

D. Personnel and Funds: Fiscal Year full time equivalent employees and total funds for Agency:

	<u>1972</u>	<u>1978</u>
Employees	76	143
Funds	\$2,328,000	\$17,431,000

E. Discussion:

(1) Failure to Implement Recommendations  
Concurred In: The office of the Legislative Auditor regularly conducts examinations of Departments to make sure that departments and divisions are carrying out only those activities or programs authorized by the Legislature and doing so in an efficient and authorized manner.

There is, in the Department of Community Affairs and other departments of state government, a pattern of non-compliance with the recommendations of the Legislative Auditor even after the Department has concurred in the recommended course of action and assurances have been given as to implementation.

In the Audit for the Fiscal Year ended June 30, 1976, there were 51 recommendations made to the Department of Community Affairs, 49 of which the Department concurred in.

Of those 49, 19 had not been adequately covered by the next audit in 1979.

(2) Inventory Procedures and Controls:  
Property Accountability. Adequate accounting and control over equipment is necessary to provide proper physical safeguards over state-owned property.





As of 1979, the condition of the Department of Community Affairs records relating to fixed assets were such that it was not possible for an independent auditor to perform the tests necessary to comply with generally accepted auditing standards.

Subsidiary records for land, buildings, and equipment - as an example - were not being maintained. Partially as a result of these matters, it was not possible to present fairly the financial position of the funds of the Department.

F. Recommendations:

(1) Failure to Implement Recommendations  
Concurred In: That

A. The Department of Community Affairs expeditiously put into effect recommendations of the Legislative Auditor which the Department has agreed to accomplish, thereby effecting significant savings to the taxpayer on many of those recommendations.

(1) The Director of the Department of Community Affairs provide the Governor with a list of audit recommendations concurred in, with a timetable of action thereon.

(2) Inventory Procedures and Controls:  
Property Accountability: That

A. The Department of Community Affairs assure implementation of the Property Accounting and Management System on an anticipated time schedule.

(1) The Director of the Department of Administration provide the Governor with details as to the extent and nature of implementation of the above.

(2) See General Recommendations.



5. EDUCATION

A. History. The Department of Education was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The purpose of the Department is to further the educational requirements of Montana.

No Task Force Study was undertaken as to the Department.



## 6. FISH AND GAME

A. History. The Department of Fish and Game was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The purpose of the Department is to preserve, protect, enhance and maintain Montana's wildlife and their habitat for present and future generations.

The goal of the Department is to benefit the people of Montana with the optimum outdoor recreational opportunities, emphasizing the tangible and intangible values of wildlife and natural and cultural resources of aesthetic, scenic, historic and archaeological significance.

The Department seeks to achieve this goal in the manner that is consistent with the capabilities and requirements of the resources, that recognizes present and future human needs and desires, and that insures maintenance and enhancement of the quality of the environment.

C. Organization. The Department is headed by a Director who is appointed by the Governor.

The Department consists of six organizational divisions:

. . Wildlife	. . Fisheries
. . Parks	. . Ecological Services
. . Law Enforcement	. . Centralized Services

The Department is supervised in its activities by a commission.

The Department has various programs.

The Wildlife Conservation Program is set up to benefit current and future generations of Montanans through its actions in protecting, preserving, enhancing and managing the wise use of the State's wildlife.

The Fish Conservation Program involves itself with managing the fishery resources in a manner so as to perpetuate the species.

The Parks and Recreation Program operates and maintains state parks and camping facilities. It is involved also in programs of enforcement, information and education, and site acquisition and development.



The Executive Administration Program includes the leadership functions of the Fish and Game Commission, the Director's Office and the staff services associated with it.

D. Personnel and Funds: Fiscal Year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1976</u>
Employees	385	503
Funds	\$6,413,000	\$11,559,000

E. Discussion.

1) Failure to Implement Recommendations Concurred In.

The office of the Legislative Auditor regularly conducts examinations of departments to make sure that departments and divisions are carrying out only those activities or programs authorized by the Legislature and doing so in an efficient and authorized manner.

As of 1977, the Department of Fish and Game had not complied with six recommendations and had partially complied with two, of fourteen major recommendations made in 1973 by audit.

A 1978 audit made 109 recommendations to the Department, which concurred in 99 of them.

As a succession of audits since 1973 has made recommendations in related areas, it is important that progress on the implementation of the recommended courses of action be monitored by the executive branch.

2) Timely Deposits of Money.

Untimely deposits of money result in lost interest to the state. State statutes require deposits on a daily basis when the accumulated coin and currency requiring deposit exceed \$100 or total collections exceed \$500 in an agency.

The Department receives large sums of money from its special license drawings. In one period of less than 30 days over \$768,000 was deposited.





To ensure the maximum amount of interest earned on monies it is imperative that sufficient staff and equipment be available to process applications and to timely deposit all monies on hand.

F. Recommendations

1) Failure to Implement Recommendations Concurred In: That

A. The Department of Fish and Game expeditiously put into effect recommendations of the Legislative Auditor which the Department has agreed to accomplish, thereby effecting significant savings to the taxpayer.

(1) The Director of the Department of Fish and Game provide the Governor with a list of audit recommendations concurred in, with a timetable of action thereon.

2) Timely Deposits: That

A. The Department of Fish and Game increase revenue to the state from investments by timely deposits of collection in accord with law and regulation and institute procedures to ensure the same.

(1) The Director of the Department of Fish and Game provide the Governor with information for review as to what staff and equipment is necessary and what procedures would have to be established to ensure timely deposit of money.



## 7. HEALTH AND ENVIRONMENTAL SCIENCES

A. History. The Department of Health and Environmental Sciences was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The Department was established to provide beneficial public health programs for the people of the State of Montana as required by state law and regulations.

The Department has the responsibility for:

- . . studying conditions affecting citizens by use of birth, death, and sickness records;

- . . making investigations, disseminating information, and making recommendations for the control of disease and the improvement of public health;

- . . administering federal health programs;

- . . inspection of custodial institutions and university system units;

- . . advising state agencies on location, drainage, water supply, disposal, heating, plumbing, sewer systems, and ventilation of public buildings;

- . . supervising local boards of health;

- . . developing and administering programs for services to handicapped children;

- . . supervising school and local public health nurses;

- . . conducting health education programs;

- . . administering programs for the protection and improvement of dental health.

C. Organization. The Department is headed by a director, who is appointed by the Governor with the advice and consent of the Senate.

There are advisory councils which advise the Department, and a Board of Health and Environmental Sciences, which advises the Department in public health matters and holds hearings. Most of the activities of the Board are related to environmental matters.



The Department consists of six divisions:

- . . Centralized Services                      . . Laboratory
- . . Hospital and Medical                      . . Environmental Sciences  
    Facilities                                      . . Health Services
- . . Legal

The Department has a variety of programs.

The Health Planning and Resource Development Program conducts the health planning activities of the state and puts into effect parts of the State Health Plan and plans of the Health Systems Agency which relate to state government.

The Management Services Program furnishes medical supervision and administrative support to the operating public health programs. It conducts personnel administration and fiscal management. It is responsible for acquiring the personnel, materials, space, and services required in the operation of the departmental programs.

The Communicable Disease Control Program is responsible for surveillance of all communicable disease within Montana; prompt, accurate investigation of threats to the public health; instituting the appropriate control measures when necessary; providing advice and information to health professionals and the public to further the understanding and prevention of the communicable diseases; and providing certain vaccine and medications to individuals for the prevention or treatment of certain diseases.

The Health Care Facilities and Manpower Program is responsible for insuring that minimum standards of design and operation are met by all health care facilities. It is also responsible for working toward a state of adequate preparation for health care facilities and personnel in the event of local and/or major disasters, and consulting and cooperating with all concerned agencies or public groups to provide a coordinated effort toward achievement of the best possible medical care for Montana residents.

The Environmental Health Program is composed of several subprograms involving administration of laws relating to improvement and/or protection of our environment and consumer protection. The Program involves land, air, water, food, drugs, cosmetics, working conditions, schools, housing, radiation, solid waste, subdivision, environmental impact



statements, energy resources recovery and power plant siting.

The Water Pollution Control Program is responsible for assisting cities through provision of construction grants to attain the highest possible level of sewage treatment. Future construction, when needed, will be done by a combination of local and federal funds.

The Water and Waste Water Operators Program is responsible for enforcing the licensing of water and waste water operators in any system serving 10 or more families, or serving an industry employing 10 or more persons.

The Health Services Program attempts to improve the health status of Montanans and to improve debilitating conditions among the handicapped. Three categories of service developed through nine activities make up the Health Services Program.

D. Personnel and Funds: Fiscal year full time equivalent employees and total funding or expenditures.

	<u>1972</u>	<u>1978</u>
Employees	195	319
Funds	\$3,648,000	\$14,920,000

E. Discussion:

1. Deposit of Money

State statutes require deposits on a daily basis when the accumulated coin and currency requiring deposit exceed \$100 or total collections exceed \$500 in an agency.

Untimely deposits result in lost interest to the state and weaken control over cash on hand.

The timely deposit of cash is not always being done at the Department.

2. Failure to Implement Recommendations.

The office of the Legislative Auditor regularly conducts examinations of departments to make sure that departments and divisions are carrying out only the activities or programs authorized by the Legislature and doing so in an efficient and authorized manner.

In 1973, the Legislative Auditor made specific recommendations to the Department; below are some of those recommendations and indicated lack of compliance by the Department more than five years later:





Recommendations  
of 1973

Classify and deposit all collections as revenue except those defined as abatements.

Establish a centralized cashier function within the Centralized Services Division.

Establish centralized billing and recording procedures for department receivables within the Centralized Services Division.

Refrain from advancement of employee vacation prior to completion of the statutory time periods.

Re-bill and follow up on all billings for services provided under the Heart Diagnostic program.

Results by  
Late 1978

Revenues still continue to be credited to expense accounts.

Not established.

Not established. Individual bureaus still directly responsible for billing for services when appropriate.

Vacation leave continues to be advanced.

No follow-up on billings made to third party payors. If the bill is not paid, it is not pursued.

F. Recommendations:

(1) Timely Deposit of State Money: That

A. The Department of Health and Environmental Sciences increase revenue to the state from investments by timely deposits of collections in accord with law and regulations and institute procedures to ensure the same.

(1) The Director of the Department of Health and Environmental Sciences provide the Governor with information for review as to what procedures have been established to ensure timely deposits of money, and if such procedures have not been fully established or are not being fully enforced, what steps are necessary to do so.

(2) Implementation of Recommendations: That

A. The Department of Health and Environmental Sciences expeditiously put into effect recommendations of the Legislative Auditor which the department has agreed to accomplish, thereby effecting significant savings to the taxpayer.



(1) The Director of the Department of Health and Environmental Sciences provide the Governor with a list of audit recommendations concurred in, with a timetable of action thereon.



## 8. HIGHWAYS

A. History. The Department of Highways was implemented under the Executive Reorganization Act of 1971.

B. Purposes. The Department is responsible for the planning, construction, improvement, and maintenance of the state highways in Montana.

The Department has responsibility for social and environmental impacts from the Department's responsibilities and it enforces the gross vehicle weight regulations.

C. Organization. The Department is headed by a director, who is appointed by the Governor with the advice and consent of the Senate.

Certain actions of the Department are subject to the approval of the State Highway Commission.

The Department's activities are organized under seven divisions or units:

.. General Operations	.. Preconstruction
.. Construction	.. Maintenance
.. Motor Pool	.. Equipment
.. Travel Promotion	

The General Operations Program is responsible for overall administrative activities and matters which are important to other programs in the Department.

The Construction Program assures that roads and bridges are constructed to accommodate the needs of motorists. The program supervises highway construction from project award through completion and project approval.

The Maintenance Program handles preventive maintenance of highways and the care of completed highways, rest areas and litter-related activities.

The Travel Promotion Program publicizes Montana to out-of-state travelers, encouraging them to come to Montana.

The Preconstruction Program handles the planning stages of highway development. That includes location and design, public hearings, right-of-way acquisition and the final processing of the highway projects for award of contracts.



The Motor Pool Program provides for the operation of a fleet of vehicles for employees of the state.

The Equipment Program purchases and maintains the fleet of equipment and vehicles available for use within the Department.

D. Personnel and Funds: Fiscal year full time equivalent employees and total funding or expenditures.

	<u>1972</u>	<u>1978</u>
Employees	2,356	2,217
Funds	\$123,540,000	\$149,045,000

E. Discussion.

(1) Energy Consumption and Cost of Travel.

The Department of Highways, through its motor pool unit, is the custodian of all motor vehicles operating from Helena and carrying passengers or cargo of less than three-quarters of a ton. The Department also maintains a fleet of equipment under the Equipment Bureau.

The motor pool currently maintains nine classes of vehicles:

.. Full-size passenger cars	.. Compact passenger cars
.. Station wagons	.. Four wheel
.. Suburban	.. 1/2 ton pickup
.. 3/4 ton pickup	.. 1/2 ton panel/van
.. 1-ton panel/van	

Apart from energy use considerations, high mileage utilization results in a lower cost per mile of operation of a vehicle than low usage. Increased utilization of a vehicle spreads fixed costs such as depreciation, insurance, and overhead over a greater number of miles and a lower cost per mile is achieved.

The most recent survey indicates that only 56% of the vehicles of the Department are being used over 15,000 miles. Increased utilization would reduce the cost per mile of vehicles.

This increased utilization must also take into account the use of energy.





The Department has actually increased fuel consumption.

The Department has not formalized a written mileage utilization policy for each class of motor vehicle based on recovering operating costs more effectively and consistent with a reduction in the use of energy.

The Aeronautic's Division of the Department of Community Affairs has an aircraft pool which certain state employees are eligible to use.

The various state agencies are responsible for assuring that their employees travel by the least costly mode of transportation, energy use not being a consideration.

The least costly mode of transportation depends upon a variety of factors. But state aircraft can often be less expensive than state automobiles. Commercial air transportation, where available, is also often less expensive. For example, three employees of average grade level 16 going to Miles City from Helena would save the state nearly one-half the travel cost by flying in an aircraft operated by the Aeronautics Division rather than by driving. Additional employee time for primary duties is also an advantage of flying in some instances.

Sometimes, however, driving and not flying is more cost effective, apart from time saved.

In any event, significant savings to the taxpayer are available if employees travel by the least costly means.

As a general rule, state agencies do not have controls to assure that their employees use the least costly means of travel.

State agencies should have such controls and should provide their employees with sufficient information to determine the least costly means of travel consistent with lowering energy use.

State cars are available in a number of Montana towns for use by state employees should they fly into those towns. Added vehicles can be transferred to towns out of Helena if needed; an increase in air travel would reduce the demand for such vehicles to be located in Helena.

## (2) Outside Consulting Services

The Executive Branch of state government spent



\$8.4 million in Fiscal 1980 for consultants, 35% or over \$3 million of which was by the Department of Highways.

This, for the Highway Department, represents an increase of 301% over Fiscal 1979, when consultants received \$735,700.

Road design and abstractor services are just two examples of the many services received by outside consultants. During Fiscal 1978 there were five major vacancies in the Department of Highways within these two service areas. The hiring of outside consultants for ordinary program services when current staff positions capable of the same service remain vacant are highly questionable.

There should be a filling and total utilization of these and similar positions before consultant services are obtained.

The Department of Highways has their own selection committee for outside professional services. There is insufficient inter-relationship with the Department of Administration. As a result, the selection of professional services is different than most other state agencies.

The total selection process for all state departments should be standardized, perhaps through the adoption of a uniform procurement code.

The current system, with particular emphasis on the Highway Department, makes government expenditures too hard to control, hides the true nature of how many people are employed in state government, and is a perfect avenue for the abuses of political patronage.

#### F. Recommendations:

##### (1) Energy Consumption and Cost of Travel: That

A. The Department of Highways formulate a written mileage utilization policy for each class of motor vehicle based on reducing the cost per mile of vehicles, considering reduced use of energy.

B. The Department of Highways, in cooperation with the Department of Administration and the Aeronautics Division, establish the information and procedures necessary to ensure that state agencies and employees use the least costly means of transportation, considering reduced use of energy and safety.



C. See General Recommendations.

(2) Outside Consulting Services: That

A. The Department of Highways fill and utilize all positions in the Department for ordinary program services prior to obtaining any outside consulting services.

B. The Department of Highways present to the Governor for review:

1) Justification for the nature and extent of the substantial increase in outside contracted services.

2) A proposal for contract selection which includes participation of the Department of Administration.



## 9. INSTITUTIONS

A. History. The Department of Institutions was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The Department is to use the resources of the state to restore the physically or mentally disabled, rehabilitate violators of the law, sustain the dignity of the aged and to provide certain needs for children of limited mental capacity or in need of protection or counseling.

In achieving its purposes, the Department seeks to return residents of the institutions to a normal life in the community.

Its objectives are to improve the coordination of services provided by institutions and related community service programs and to improve the administration of all institutions.

C. Organization. The Department is headed by a director, who is appointed by the Governor with the advice and consent of the Senate.

The Department consists of four divisions

. . Alcohol and Drug Abuse	. . Corrections
. . Management Services	. . Mental Health and Residential Services

Attached to the Department are three Boards, the Board of Institutions, Pardon and Parole, and Eugenics.

The Division of Mental Health and Residential Services supervises the various state institutions which have the care of the mentally ill, geriatric, and mentally retarded, as well as the community mental health centers.

The Management Services Division involves budget review and monitoring as well as fiscal and personnel policies and a reimbursement program, all for the purpose of the Department utilizing its resources to maximum efficiency.

The Alcohol and Drug Abuse Program provides treatment for problems of alcohol and drugs and involves itself in the prevention, treatment and control of these matters.

The Division of Corrections administers correction programs through the state correctional institutions and community based programs.





D. Personnel and Funds. Fiscal year full time equivalent employees and total funding of expenditures.

	<u>1972</u>	<u>1978</u>
Employees	2,050	2,565
Funds	\$21,006,000	\$45,197,000

E. Discussion.

1) Expenditures for Supplies and Materials.

The Boulder River School and Hospital purchased \$13,500 in office supplies in Fiscal 1978, while an inventory showed \$14,400 in office supplies on hand.

Patient clothing expenditures in Fiscal 1978 were \$21,000, with an inventory showing \$167,000 in patient clothing on hand.

Likewise, the expenditures for hospital supplies during the same period totaled \$13,300, with inventory on hand of \$10,600.

In Fiscal 1978 Pine Hills purchased \$1,300 in medical supplies, with an inventory as of June 30, 1978, showing \$2,400 on hand, a two-year supply. In the same time periods, Pine Hills purchased \$3,000 in plumbing supplies, with an inventory on hand of \$6,500, and \$13,600 in shop/plant supplies, with an inventory on hand of \$8,300.

The State Prison, Warm Springs, and Galen carry very large inventories of repair and maintenance-type supplies. Even with large supplies on hand, personnel from each institution make many trips into town for local purchasing.

With respect to these three institutions, the following examples are noted:

<u>Supply Items</u>	<u>Fiscal 1978 Expenditures</u>	<u>June 30, 1978 Inventory on Hand</u>
Janitorial and housekeeping	\$ 33,300	\$ 65,300
Shop/plant/maintenance	12,200	92,200
Patient clothing	5,100	179,400
Office supplies	17,800	13,400
Drugs	57,000	65,000



In Fiscal 1978 Warm Springs discarded over \$3,000 in cereal because of excess storage time, discarded canned fruit in bulging cans and discarded hamburger because of spoilage.

E. Recommendation:

(1) Expenditures for Supplies and Materials: That

A. The Department of Institutions reduce expenditures on supplies and materials until lower inventory levels are achieved by a concentrated effort to use heavily-inventoried items on hand, thus decreasing spoilage of perishables and saving dollars for taxpayers.

1) The Director of the Department of Institutions provide the Governor with proposals to achieve cost-savings without a loss of quality by a system of warehousing for physically-close institutions and a proper inventory monitoring system that will realistically determine institution needs.



10. JUSTICE

A. History. The Department of Justice, formerly the Department of Law Enforcement and Public Safety, was originally implemented under the Executive Reorganization Act of 1971.

B. Purpose. The Department provides the state-level leadership and coordination necessary for effective law enforcement and public safety.

No Task Force study was undertaken as to the Department.



## II. LABOR AND INDUSTRY

A. History. The Department of Labor and Industry was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The objectives of the Department relate to the proper administration of programs dealing with working conditions, hours and wages, apprenticeship, women, unemployment insurance, job placement, adult employment and training, workmen's compensation, collective bargaining and equal opportunities.

C. Organization. The Director of the Department is appointed by the Governor.

The Board of Labor Appeals is attached to the Department for administrative purposes.

The Department is composed of six divisions:

.. Employment security	.. Labor standards
.. Worker's compensation	.. Human rights
.. Personnel appeals	.. Employment and training

There are a variety of programs and bureaus.

The Human Rights Division is responsible for enforcing the equal opportunity laws of Montana, which laws encompass employment, training and education, housing, public accommodations, financing and government services.

The Labor Standards Division is responsible for the supervision and enforcement of labor laws, minimum wage, child labor, equal employment, and human rights. Specific duties of the Division are to establish sound management practices and maintain an accounting of all fiscal matters pertaining to the Division. In addition, it initiates and supervises apprenticeship programs, manages the licensing of private employment agencies, and supervises the Women's Advisory Council.

The Labor Administration Program is responsible for insuring that all employees in the state, both in the private and public sectors, are paid for their work and for enforcing the child labor and equal employment laws. It also manages the apprenticeship program and the licensing of private employment services.





The Personnel Appeals Division Program administers the Collective Bargaining Act for public employees; serves as appeal board for state employees appealing their assigned classification and grade levels; and serves as the grievance board for Department of Highway employees desiring to grieve general conditions of employment.

The Human Rights Division Program is responsible for enforcing the equal opportunity laws of the State of Montana.

The Employment and Training Division Program administers statewide employment and training programs funded under the Comprehensive Employment and Training Act of 1973.

The Employment Security Division was mandated by the Wagner-Peyser Act of 1934, and Title IX, Section 903, of the Social Security Act, which established a nationwide system of employment offices to provide manpower services for all job seekers and unemployment insurance for the eligible unemployed.

The Division of Workers' Compensation administers the Workers' Compensation Act of Montana and several related statutes. Its responsibility includes the administration of the State Compensation Insurance Fund, monitoring of claims handled by private insurance carriers and self-insurers, administration of state industrial safety and health laws, and providing rehabilitation services to disabled workers.

D. Personnel and Funds. Fiscal year full-time equivalent employees and total funding or expenditures.

	<u>1972</u>	<u>1978</u>
Employees	516	953
Funds	\$31,604,000	\$61,948,000

E. Discussion.

(1) Timely Deposit of Money.

State Statutes require deposits on a daily basis when the accumulated coin and currency requiring deposit exceed \$100 or total collections exceed \$500.00 in an agency.

In 1976-77, the Employment Security Division received cash amounting to nearly \$24,700,000 from employer contri-



butions, and total cash received from all sources was nearly \$63,000,000.

On one occasion more than \$1,000,000 in contribution checks were stored in the cashier's file cabinet for nearly two weeks.

There have been instances when cash has been held for several days.

The immediate deposit of funds is necessary to safeguard cash and to maximize the interest received.

If the \$1,000,000 noted above had been deposited at an interest rate of 10%, it would have earned nearly \$280.00 a day, or up to \$4,000.00 in interest over the two weeks.

The benefit of immediate deposit more than justifies the expense necessary to expedite deposit procedures.

(2) Implementing Recommendations Concurred In:

The office of the Legislative Auditor conducts examinations of departments to ensure that departments and divisions are carrying out only those activities or programs authorized by the Legislature and doing so in an efficient and authorized manner.

A large number of audit recommendations have been made over the years. Even where the Department has concurred or have the matter under study as to their implementation this has not always been done.

A few examples are as follows:

<u>Recommendation</u>	<u>Original Agency Response</u>	<u>Status at Audit Follow-Up</u>
Transfer control of all agency accounting and bookkeeping functions to the fiscal section.	Will Study	Partially Implemented
Allocate sufficient time and qualified staff to the fiscal section to insure adequate performance of accounting functions.	Will Study	Partially Implemented



Place all accounts and account balances within a single general ledger system which will be the responsibility of a chief financial officer.	Concur	Partially Implemented
Establish an agency-wide financial accountability and reporting system to insure prompt delivery of information to and from the fiscal section.	Concur	Partially Implemented
Establish a task force under the authority granted by law to study the systems currently in use at ESD and provide a solution for the current duplication.	Concur	Not Implemented
Adopt the use of state warrants for the payment of unemployment insurance benefits.	Will Study	Not Implemented
Seek legislation, to allow the use of state warrants signed by the State Auditor for payment of unemployment insurance benefits.	Will Study	Not Implemented
Transfer control of all treasury bank accounts to the State Treasurer.	Will Study	Not Implemented
Require that employees sign all payroll status forms or other documentation authorizing each payroll change.	Concur	Not Implemented
Keep payroll and personnel files current and orderly at all times.	Concur	Partially Implemented



Provide for the signing of pre-payrolls by an appropriate ESD official.	Concur	Partially Implemented
Provide for proper signing of payroll status forms by employees and administrators.	Concur	Not Implemented
Provide for delivery of payroll warrants to someone other than the payroll clerk.	Concur	Not Implemented
Provide department heads and local office managers with a listing of the payroll transactions charged to their department or office.	Concur	Partially Implemented
Limit promotions prior to an employee's passing the merit system test and limit non-competitive promotions to those instances where it can be clearly shown that the promotions are to the advantage of the agency.	Concur	Partially Implemented
Deposit all receipts timely.	Concur	Not Implemented
Transfer all accounting functions relating to employer tax contributions from the contributions section to the fiscal section.	Will Study	Not Implemented
Record penalty and interest receipts in its general ledger in the fiscal year in which they are received.	Concur	Not Implemented
Use state purchasing suppliers whenever possible to purchase items for WIN participants.	Concur	Not Implemented





Prepare only one check to each WIN participant per week and use journal entries to distribute the payment amount to the proper programs and expenditure codes.	Concur	Not Implemented
Establish written guidelines for the timely preparation and delivery to employers of delinquent assessments.	Partially Concur	Not Implemented
Establish procedures to insure prompt billing of interstate accounts receivable.	Concur	Not Implemented
Maintain subsidiary ledgers for penalty and interest accounts receivable in detail sufficient to allow subsequent verification of monthly and year-end totals.	Concur	Not Implemented
Deposit all accounts receivable payments immediately when received in the cashier's office.	Concur	Not Implemented
Restrictively endorse all checks immediately when received.	Concur	Not Implemented
Promptly process all accounts receivable payments and deposit the proceeds.	Concur	Not Implemented
Credit accounts receivable by use of a journal voucher when claimant payments are withheld to satisfy a prior debt to ESD.	Concur	Not Implemented
Reconcile subsidiary and general ledgers for accounts receivable dishonored checks monthly	Concur	Not Implemented



and make necessary corrections at that time.

Periodically prepare aging schedules to help evaluate accounts receivable collection procedures.	Concur	Not Implemented
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Transfer all uncollectible accounts receivable to the Department of Revenue for collection under the law.	Concur	Partially Implemented
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Discontinue classifying as assets accounts receivable which have been determined by the division to the uncollectible.	Concur	Partially Implemented
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Place all accounts receivable control totals on SBAS and the federal accounting system general ledgers.	Concur	Not Implemented
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Reconcile general ledger totals to subsidiary ledgers at least monthly.	Concur	Not Implemented
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Establish an accounts receivable staff within the fiscal section to maintain subsidiary ledgers for receivables and to perform all billing, recording and control functions necessary to insure prompt collection of all accounts.	Concur	Not Implemented
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Establish a local office claim file checkout system which will allow all employees to quickly locate files.	Concur	Not Implemented
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Local office employees be instructed to sign 203-M and UI-222 documents as required by	Concur	Not Implemented
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the ESD Montana Operations Manual.

File continued interstate claim documents in the appropriate individual claim file.	Concur	Not Implemented
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Establish a number control and accountability system for checks being processed through the agency.	Concur	Not Implemented
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Establish procedures requiring daily listing of all duplicate payments by the data processing section and immediate investigation of these payments by the accounts receivable clerk.	Concur	Not Implemented
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F. Recommendations.

(1) Timely Deposit of Money. That

(A). The Division of Employment Security increase revenue to the state from investments by more timely deposit of collections.

(1.) The Director of the Department provide The Governor with information for review as to what procedures have been established to ensure more timely deposits, and if such procedures have not been established or are not being fully enforced, what steps are necessary to do so.

(2) Implementing Recommendations. That

(A). The Department of Labor and Industry expeditiously put into effect recommendations of the Legislative Auditor which the Department has agreed to accomplish, thereby effecting significant savings to the taxpayer on many of the recommendations, and improving the efficiency of the Department.

(1). The Director of the Department provide the Governor with a list of audit recommendations concurred in, with a time table of action thereon.



## 12. LIVESTOCK

A. History. The Department of Livestock was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The objectives of the Department are the control and eradication of animal disease, and the prevention of transmission of the same to humans, as well as the protection of the livestock industry from theft and predatory animals.

C. Organization. The Department consists of two Divisions:

. . Animal Health . . Brands Enforcement

There are a variety of programs and the Department is supervised by a Board of Livestock.

The Diagnostic Laboratory Program provides expertise to the Department and provides diagnostic support to veterinarians, livestock producers and the Disease Control Bureau. It protects the public health by testing dairy products and performing tests on suspected rabies cases.

The Disease Control Program is responsible for the prevention, control and eradication of animal diseases in Montana; safeguarding the health and food production capacity of the state's livestock and poultry; and preventing the transmission of animal diseases to man.

The Milk and Egg Program is responsible for maintaining inspection and testing programs to assure safe milk, milk products, and eggs for consumers.

The Inspection and Control Program is responsible for reducing the loss of livestock from theft or fraud, and regulating the recording and use of livestock brands.

The Predatory Animal Control Program is responsible for the control of predatory animals capable of injuring or killing domestic livestock and poultry.

The Rabies and Rodent Control Program is responsible for controlling and eliminating rabies incidents, and for controlling noxious rodent populations in Montana.

D. Personnel and Funds: Fiscal year full time equivalent employees and total funding or expenditures.





	<u>1972</u>	<u>1978</u>
Employees	110	139
Funds	\$1,424,000	\$2,583,000

#### E. Discussion.

##### (1) Re-Recording of Brands and Data Processing

The Department has over 70,000 livestock brands on record. State law provides for recording with the Department new brands and transfers of ownership of brands as they occur. In addition, the law provides for the re-recording of all brands every ten years and specifies that the re-recording be done in the second year of each decade. Existing brands that are not recorded become available for re-issuance to someone else.

The re-recording process puts a heavy burden upon the Department during the re-recording year, particularly because of the special preparations required and the large volume involved. Full consideration should be given to a staggered re-recording system such as having one tenth of the brands re-recorded each year. Such a system would be much more manageable. The process would be a continual one that could be built into the Department's system as a standard procedure and the smaller volume should result in a more efficient procedure and better service to the brand owners.

#### F. Recommendations.

##### (1) Re-Recording of Brands and Data Processing. That

(A). The Department of Livestock use the most cost-effective data processing equipment to re-record brands, in combination with a staggered re-recording system, such as having one-tenth of the brands re-recorded each year, to provide a more efficient procedure and better services to the brand owners.

(1). The Departmental Director recommend to the Governor a course of action and timetable to implement the above.



### 13. MILITARY AFFAIRS

A. History. The Executive Reorganization Act of 1971 combined the office of the Adjutant General with the Civil Defense Agency to form the Department of Military Affairs.

B. Purpose. The purpose of the Department of Military Affairs is providing for the protection of life and property, preservation of the peace, maintenance of order and public safety, and the maximum survival of Montana's population in a civil disaster or state emergency.

The Department also provides trained and equipped National Guard units to supplement the regular Army and Air Force in times of emergency.

C. Organization. The Department is headed by the Adjutant General, appointed by the Governor.

There are a variety of programs in the Department.

The Civil Defense Coordination Program is responsible for coordination of all emergency preparedness programs which work toward survival of Montana's population during disasters.

The Emergency Disaster Relief Program records and insures proper distribution of all Federal Disaster Relief Funds as authorized by Presidential Disaster Declarations.

The Army National Guard Program is responsible for providing trained and equipped National Guard units for state emergency duties as directed by the Governor, and for supplementing active forces in times of national emergency.

The Air National Guard of Montana Program is to provide an Air National Guard organization at authorized strength, trained and equipped for state emergency duties as directed by the Governor. The Montana Air National Guard would also supplement the active Air Force in case of national emergency.

The Emergency Support Program provides National Guard members and units, on state active duty, for use as directed by the Governor in emergency situations and as authorized by Montana's Constitution. The program's goal is to provide necessary assistance to minimize loss of life and property in emergencies declared by the Governor. This program is only utilized in the event of an emergency and is not budgeted for operationally.



The Calibration and Maintenance Program is responsible for inspection, service and exchange of all civil defense radiological equipment in the state to maintain emergency readiness in protecting Montanans against nuclear incident.

The Civil Defense Crisis Relocation Program is responsible for the planning and preparing of in-place and relocated protection of the state populace and continuity of government during a nuclear disaster.

The Natural Disaster Response Program is responsible for preparing a comprehensive plan outlining concepts, procedures, and responsibilities for disaster relief operations. The plan will be a practical preparedness program for preparation against major disasters and for relief and assistance to individuals, business, institutions, and local governments, including long-range recovery and reconstruction assistance.

The Civil Defense Training and Education Program is responsible for conducting a management training program for civil preparedness professionals, introducing disaster administration concepts into the regular curriculum of schools, and aiding local governments in meeting their civil preparedness responsibilities.

D. Personnel and Funds. Fiscal year full time equivalent employees and total funding or expenditures.

	<u>1972</u>	<u>1978</u>
Employees	37	60
Funds	\$814,000	\$1,913,000

E. Discussion.

(1) Excess spending authority. In Fiscal 1978 over \$5,000 was collected from citizens for armory use by private groups and private organizations, with collections kept at a local bank and spent at the discretion of the unit commander. The funds were not recorded on the statewide accounting system and represent excess spending authority. Whether to rent the armory and for what price is left to the discretion of the unit commander.

Also, over \$15,000 of expenditures were abated in Fiscal 1978. This means that spending authority was increased by the same amount.

F. Recommendation.

(1) Excess spending authority: That



A. The Department of Military Affairs take all necessary steps to effect a cessation of improper spending authority increased by abatement of expenses, and that any unanticipated revenue be reverted to the general fund.

B. The Department of Military Affairs report to the Governor as to whether a fee structure has been established for armory usage, and that any fund balances within bank accounts for rental of the armory be reverted to the general fund.

C. See General Recommendations.





#### 14. NATURAL RESOURCES

A. History. The Department of Natural Resources and Conservation was created under the Executive Reorganization Act of 1971.

B. Purpose. The purpose of the Department is to maintain and enhance the quality of Montana life through proper execution of the Department's responsibilities in the area of the state's land, water, forest and fossil fuel resources.

C. Organization. The Director of the Department is appointed by the Governor.

The Department consists of six divisions:

.. Centralized Services	.. Forestry
.. Conservation Districts	.. Oil & Gas Conservation
.. Energy	.. Water Resources

The Board of Oil and Gas Conservation has overall supervision of the Oil and Gas Conservation Division.

There are various programs in the Department.

The Centralized Services Program is responsible for the managerial and administrative support services essential for the effective operation of the Department.

The Oil and Gas Regulation Program is responsible for administering laws regulating drilling and recovery of Montana's oil and gas resources.

The Conservation District's Supervision Program is responsible for assisting members of water and grazing districts in promoting better conservation practices of the state's land and water resources.

The Water Resources and Planning Program is responsible for optimizing the social, economic and environmental well-being of the present and future citizens of the State of Montana through the wise development, conservation, and preservation of water resources.



D. Personnel and Funds. Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees:	218	512
Funds:	\$4,487,000	\$10,906,000

E. Discussion.

(1) Outside Attorneys

The organization of Legal Services in the Executive Branch are disjointed, fragmented, and there is no consistent method of account for outside of agency retained lawyers in agency budgets. The estimated cost of these outside attorneys is in excess of \$500,000 per year.

All but a few of the agencies under study retain outside counsel.

It is clear that outside legal counsel should be used only to obtain specific expertise not available on a Department's staff and each agency should develop as much expertise in its legal staff as necessary to meet a department's recurring needs.

In 1975, the Department of Natural Resources paid \$226,000 in legal fees to outside retained attorneys. Much of this was to a Portland law firm which was sought to avoid problems with start-up time involving the Colstrip hearings.

Yet even thereafter the Department did not attempt to hire staff attorneys with the expertise to meet the Department's needs.

In 1977, the Department retained an attorney who received a total of \$61.00 per hour in 1975-76 and \$88.00 per hour in 1976-77. From July, 1975, through June, 1977, he received \$1,000 per month in 9 months in which he did no work.

It is apparent that substantial dollar savings would result from the primary use of reasonably payed staff attorneys or attorneys from a pool organized through the Attorney General's office, if strict statutory standards of control and review were applied.



F. Recommendation.

(1) Outside Attorneys. That

(A). The Department of Natural Resources, after consultation with the major departmental users of outside legal counsel and the Attorney General's office, recommend to the Governor legislation that will:

(1) Insure appropriate, economical, and efficient use of outside retained counsel and executive branch staff counsel by the Executive Branch.

(2) Create a mechanism for review and approval of a state executive request to obtain legal services outside of government and that minimizes political patronage as a basis for selection.



## 15. PROFESSIONAL & OCCUPATIONAL LICENSING

A. History. The Department of Professional and Occupational Licensing was created under the Executive Reorganization Act of 1971.

B. Purpose. The purpose of the Department is to provide enforcement of the rules, laws, and regulations of the professions and occupations under the Department's jurisdiction.

The Department is responsible for regulating specified professional and occupational activities in the interest of the health, safety, and welfare of the public.

In accomplishing its purpose, the Department seeks to insure that the standards in effect are high enough to protect the public's needs, and that only qualified applicants are licensed for practice in professions and occupations in the State.

C. Organization. The Director of the Department is appointed by the Governor.

Various boards, such as the Board of Real Estate, have structures and powers set by Statute, with there being 32 such boards for various occupations.

The Central Services Program provides purchasing, accounting, payroll, personnel, budget review, and legal services to the boards.

Each board is under the Department's directions for administrative purposes only, that is for budgetary matters and day-to-day administration. The boards are independent of department authority for policy, licensing, quasi judicial and legislative functions.

D. Personnel and Funds. Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees	28	34
Funds	\$475,000	\$874,000





## E. Discussion.

### (1) Licensing Procedure and Data Processing.

The Boards in the Department issue 138 separate licenses, certificates and permits to more than 41,000 individuals and businesses.

The opportunity exists for the Department to reduce the cost of licensing, increase efficiency, and improve control over licenses issued through the use of data processing on a department-wide basis.

Data processing could also provide simple advantages such as preparation of gum labels for addressing forms and utilization of machine forms which could be used as a combination application/envelope.

One of the most difficult areas for the various boards involves expiration and renewal dates and notices in connection with those dates. A mechanical means by computer call-up of dates which must be dealt with, would save substantial employee time, allowing them to more effectively perform other tasks.

Approximately 85% of all renewals fall on either December 31 or June 30, which press of work has induced errors. Workloads are too high during these periods to facilitate execution of all procedures on a timely basis. Also, the use of part time employees to get through these periods leads to an increased error rate.

Changes in statutory authority should be sought to stagger the renewal date with respect to specific boards, on a board-by-board analysis, or provide general authority to the Department to implement changes in renewal dates and periods of validity. This could be achieved by making licenses good for more than one year or by having one-fourth of, say the physicians, renew in each quarter of the year.

### (2) Costs of Travel

There have been instances where charter air fares were paid to transport board members to meeting. These payments exceeded the amounts that would have been paid had the members charged the standard mileage rate.

Reimbursement should be based on the cheapest form of transportation, as should usage if consistent with reduced energy use and safety.



One or several boards currently may be overburdened in June or December, while others are not so busy.

F. Recommendations.

(1) Licensing Procedure and Data Processing.  
That

(A). The Department of Professional and Occupational Licensing use the most cost-effective data processing equipment on a department-wide basis to print, issue, control and monitor the various licenses, certificates, and permits issued by the Department, in combination with a staggering of renewal dates where applicable to the particular boards, to make the work of employees more error free and to ensure that all procedures are handled on a more timely basis, with year-round utilization of employees.

(1). The Director of the Department recommend to the Governor a course of action and time table to implement the above.

(2) Cost of Travel.

See Highway Department Recommendation No. 1.



16. PUBLIC SERVICE REGULATION

A. History. The Department of Public Service Regulation was established as the Board of Railroad Commissioners under the laws of 1907 of Montana.

Statutory authority for the Department in its present form is found in current law.

B. Purpose. The purpose of the Department is the proper regulation and safety inspection of railroads, motor carriers, public utilities and pipelines, to assure the consuming public of safe and adequate transportation and utility services at just and reasonable rates.

C. Organization. The Department head is the elected Public Service Commissioner.

The Task Force undertook no study of the Department.



## 17. REVENUE

A. History. The Department of Revenue was created in 1971 under the Executive Reorganization Act.

B. Purpose. The purpose of the Department is to uniformly administer all state taxes so that persons, property and corporate interests are taxed by law, and to provide the Governor and the Legislature information on fiscal problems, revenue, and tax structures of state and local government.

C. Organization. The Director of Revenue, appointed by the Governor, heads the Department.

The Department has the following divisions:

.. Audit and Accounting	.. Liquor
.. Legal	.. Income Tax
.. Investigation	.. Property Assessment
.. Research	.. Corporation Tax
.. Operations	.. Motor Fuels Tax
.. Data Processing	.. Miscellaneous Tax
.. Inheritance Tax	

The Department has a variety of programs.

The Property Tax Relief Program is responsible for the implementation of the Homestead Property Tax Relief Act.

The Director's Office directs and supervises all Department programs and responsibilities, and carries out all laws to ensure compliance with legislative, executive and judicial mandates.

The Accounting and Auditing Division supports Department operations in accounting services, cash receiving, payroll and internal review, and other state agencies in the collection of bad debts.

The Research Division provides detailed study of questions concerned with impact on state revenue resulting from legislative action, executive decisions, and changes in economic patterns. It also provides fact-finding service, generates major statistical reports and continuous estimates of revenue due the state from all sources.

The Legal Bureau is responsible for providing the Department legal opinions and legal representation in adminis-





trative and judicial matters. Additionally, this Program is responsible for enforcing welfare fraud and child support laws.

The Liquor Division is responsible for the fair and equitable administration of the Montana Liquor Control Laws, with the goal of effective regulation of the manufacture, sale, and consumption of alcoholic beverages in the state, and marketing a reasonable variety of these beverages for distribution through the state store system to yield maximum profit at a fair price to the consumer.

The Income Tax Program administers the Montana State personal income tax laws.

The Corporation Tax Program is responsible for efficient and equitable administration of Montana corporation license/income tax laws. The Program examines each tax return and makes selected audits, and makes periodic inspections to insure that corporations are current with filing requirements.

The Property Valuation Program appraises, assesses, and establishes the taxable value of all property subject to ad valorem property taxation in the State of Montana.

The Miscellaneous Taxes Program is responsible for the administration and collection of twenty-five state-level licenses and taxes, and for enforcement of the minimum cigarette price laws.

The Motor Fuel Tax Program is responsible for collection, refund, and distribution of gasoline and special fuel taxes, and licensing of special fuel dealers, users, and gasoline distributors and dealers.

The Operations Program provides personnel, supply, mail and word processing support for the Department. In addition, it encompasses responsibilities related to E.E.O., motor vehicles and labor relations.

The Data Processing Program is responsible for supporting all programs of the Department through utilization of automated computer systems.

The Investigation Bureau is responsible for internal and external departmental investigation on revenue-related matters, including welfare fraud, child support, and state accounts receivable. Results of criminal or civil investigations are made available to appropriate prosecuting agencies for litigation.



The Inheritance Tax Program administers, determines, and collects inheritance taxes, and administers unclaimed and escheated property.

D. Personnel and Funds: Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees:	467	1,418
Funds:	\$27,153,000	\$77,937,000

E. Discussion

(1) Use of Motor Pool

There is a failure in the division to use motor pool cars rather than personal cars.

The Department of Highways, through its motor pool unit, provides vehicles for state employees.

The Department should institute an effective monitoring system to better control personal car usage. The state motor pool was created to provide economical transportation.

A savings of approximately 25% is realized when motor pool cars are used.

(2) Failure to Implement the Greenbelt Law.

A law known as the "Greenbelt Law" provides that agricultural land be assessed for property tax purposes on its productive capacity as agricultural land, rather than on its market value for other purposes. It also imposes a penalty if agricultural land is changed to some other use.

There has been sporadic and inconsistent implementation of the tax since its enactment. As of November, 1979, no roll back tax has ever been imposed in 32 of the State's counties and the tax has been imposed sporadically, even in those counties that levied roll back taxes.

Cascade County planned to impose the tax beginning in 1979 but was stayed from doing so by the State Tax Appeal Board in 1978. The Department of Revenue's inaction in more fully prosecuting that case in District Court has resulted in no decision by the Court.



The original intent of the Greenbelt Law was to discourage urban sprawl, and to allow full time farmers a preferential assessment rate to enable them to continue farming.

The rollback tax was intended to penalize owners who took land out of agricultural production by subdividing it and converting it to housing or other uses.

Since agricultural lands are taxed in a different manner, and at a lower rate than non-agricultural lands, the rollback tax was intended to discourage conversion of agricultural land to non-agricultural land, by imposing a tax equal to the total of four years' difference between taxation at the agricultural rate, and taxation at the non-agricultural rate.

The Legislature wrote the law to provide that the tax was due and payable at the time of the "change in use" of the land.

Unfortunately, the Department of Revenue has decided that change in use does not result when the land is taken out of agricultural production and subdivided, but only when the actual physical change in use occurs; that is, for instance, when a house is built on the property. It must be acknowledged that this position arises from a decision by Attorney General Woodahl in 1976.

However, the Department of Revenue has gone far beyond Attorney General Woodahl's opinion, and informally adopted standards which apply the tax at the very latest date.

The important effect of this is that the farmer who subdivides his land, or the developer who buys it from the farmer and subdivides it, are not being hit with the tax, and are therefore not discouraged from converting the use of the land. The tax is falling upon the purchaser of the lot, which is either the contractor who buys the lot to build the home on it, or the actual home purchaser. The purchasing homeowner may not even be aware of the to be assessed tax until after he has purchased the home.

The above situation is aggravated by the fact that the Department, through its county assessors and appraisers, have been delaying imposition of the tax for two, three or four years. During this period of time, the ownership changes, advancing more to the ultimate consumer, and thus the tax ends up simply as an inflationary item in the cost of homes.



A major factor in the lack of enforcement and lack of uniformity of enforcement is the fact that the Department of Revenue has failed to enact a single regulation clarifying the tax or its implementation. While the Department has issued a few memoranda to the assessors and appraisers in Montana's 56 counties, these memoranda have been totally inadequate.

Department personnel have admitted that they do not know how the tax is being implemented in any of their counties, and they were totally surprised to learn that it was being implemented in Yellowstone County in a manner completely opposite to the Department's standards.

The ultimate points are:

1. The tax break provided to farmers in the Greenbelt Law is proper.

2. The rollback tax is unpopular with farmers, developers, home purchasers who get hit by it, assessors, appraisers, county tax appeal boards, the State Tax Appeal Board, county treasurers who have to collect it, and Department of Revenue personnel.

3. It is physically impossible for county assessors and appraisers to know when every change in use occurs in their counties.

4. The tax has not been uniformly implemented in Montana, for numerous reasons, including the Department of Revenue's total failure to adopt a plan or program of implementation.

5. There is no evidence to indicate that it has stopped, slowed or even discouraged any conversion of agricultural land to non-agricultural purposes.

6. In those sporadic instances where it has been applied, it has to have resulted in a higher cost to the home purchaser.

7. The rollback tax has been a failure. Consideration should be given to whether it should be replaced and replaced with an entirely different approach to the problem of loss of agricultural lands.

F. Recommendations.





(1) Use of Motor Pool. That

(A). The Department of Revenue institute an effective monitoring system to better control personal car usage, and to obtain substantial savings to the taxpayer by use of motor pool vehicles or the most efficient mode of transportation.

(1) The Director of the Department reports to the Governor as to what steps have been taken to curtail personal car usage.

(2) Failure to Implement the Greenbelt Law.  
That

(A). The Department of Revenue provide the Governor with options for action that will discourage urban sprawl, allow full time farmers a preferential tax rate to enable them to continue farming, without imposing direct costs on homeowners without their knowledge, and which is susceptible of uniform and fair enforcement. Included in the assessment should be a recommendation of whether the current law should be repealed, and if so, what it's replacement should be.



18. SOCIAL AND REHABILITATION SERVICES.

A. History. The Department of Social and Rehabilitation Services was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The purpose of the Department is to provide the necessities of life compatible with decency and health, and to provide medical assistance to eligible needy persons and to help those people with casework services for self-care and self-support.

C. Organizations. The Director of the Department is appointed by the Governor.

The Department has the following divisions:

.. Rehabilitation Services	.. Centralized Services
.. Developmental Disability	.. Community Services
.. Economic Assistance	.. Visual Services
.. Veterans Affairs	

The Department has a variety of programs.

The Veterans Affairs Program is responsible for administering the affairs of all veterans, their relatives, and dependents, and beneficiaries who may be entitled to benefits.

The Aging Services Program was established under the Older American Act to provide a healthy and enjoyable environment for senior citizens.

The Medical Assistance Program is responsible for the administration and control of all medical assistance programs within the Department.

The Assistance Payment Program provides direct money payments to persons who are eligible for Aid to Families with Dependent Children, and payments to medical vendors and for food supplements. The goal of the Program is to meet day-to-day living expenses of needy Montanans at a standard of living compatible with decency and health.

The Social Services Program is responsible for providing to eligible persons those casework services necessary to increase their personal and economic independence, and to assist children and aged and disabled persons to remain in their own homes or community.



The Eligibility Determination Program is responsible for supervising county public welfare departments in eligibility determination for Aid to Dependent Children and in medically needy programs, and for coordinating the food supplement program. The Program goal is to provide a uniform determination of eligibility for programs under the jurisdiction of the Department.

The Administration and Support Services Program includes the Department director and staff and as such is responsible for planning, directing, controlling and coordinating the policies and programs of the Department. The Program is also responsible for those types of supportive services commonly required for every program of the agency such as personnel, audit, fiscal, statistics and research, purchasing and data processing services.

The Vocational Rehabilitation Program is responsible for providing services to persons with physical or mental handicaps who may be expected to enter or return to the labor market. Services include counselling, vocational training, physical and mental evaluation and workshop activities.

The Disability Determination Program is responsible for the processing of all disability claims filed under the Social Security Act. This includes Social Security Disability Insurance and Supplemental Security Income programs.

The Visual Services Program is responsible for providing rehabilitation and other services to those who are blind, partially blind or have a progressive sight loss, which will enable those persons to live more independently and/or enter the labor market.

D. Personnel and Funds. Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees:	842	1,062
Funds:	\$42,680,000	\$99,564,000



E. Discussion.

(1) Computer Services:

The Department of Social and Rehabilitative Services uses a variety of computer and data processing systems.

A succession of legislative audits have disclosed numerous control weaknesses, untimely reports, incomplete reports, and duplication of effort.

The system of computerized Social Service reports uses computer terminals in selected offices around the state, hooked by phone lines to a computer in Helena. The computer is used to report and record Social Services activities.

It has been suggested that the system provides marginal benefits except meeting specified Federal requirements.

Statistically-accurate random samplings of Social Service activities may fulfill Federal requirements.

Elimination of the on-line computer system, office terminals, line charges and part of the data entry staff would save some \$280,000 per biennium; by transferring the data entry staff to other departments where this report has recommended additional computer duties, there would still be a net savings to the taxpayer.

F. Recommendation

(1) Computer Services: That

(A). The Department of Social and Rehabilitative Services report to the Governor with a list of options for complying with minimum Federal requirements for reporting and recording Social Service activities, including costs and benefits thereof, including as one option the retention or elimination of the on-line computer system for recording and reporting Social Service activities.





## 19. STATE LANDS

A. History. The Department of State Lands was implemented under the Executive Reorganization Act of 1971.

B. Purpose. The purpose of the Department is to effectively administer and manage State lands and to maximize the return to the State with the least injury to the land. Also, the Department's goal is to place trust lands in their highest and best use of multiple use and to administer the State's Reclamation Law to insure that mining disturbances are restored by law.

The Department also coordinates the efforts of those involved in the Saline Alkali program and identifies, designates, and projects existing or potential natural areas within Montana.

C. Organization. The Department is headed by a Commissioner appointed by the Governor.

The Board of Land Commissioners has authority to direct, control, lease, exchange and sell school lands which have been granted for support of the State Educational Institutions.

The Department has various programs.

The Central Management Program performs the overall administrative services for the Department and administers private grants received for preparation of environmental impact statements.

The Reclamation Program is responsible for regulating all mining-related surface disturbances in the State.

The Land Administration Program is responsible for the appraisal and reclassification of all state lands to obtain the greatest revenue for the trust funds commensurate with the preservation of the resource.

The Resource Development Program is responsible for developing and improving state lands to increase revenue for the trust fund, and to restore and preserve state land resources.



D. Personnel and Funds: Fiscal year full time equivalent employees and total funds for agency:

	<u>1972</u>	<u>1978</u>
Employees	30	69
Funds	\$668,400	\$1,716,000

E. Discussion.

(1). Implementation of Prior Audits.

The office of the Legislative Auditor regularly conducts examinations of departments to make sure that departments and divisions are carrying out only those activities or programs authorized by the Legislature and doing so in an efficient and authorized manner.

Audits of the Department of State Lands from 1969 through 1979 included recommendations that the Department improve internal control over cash by requiring incoming cash items to be logged and restrictively endorsed at the mail opening point. As of the last audit, the Department still did not do so.

It is necessary to do so to improve internal controls over cash; any added help necessary to accomplish these tasks can easily be justified by savings associated with the implementation of other audit recommendations.

The Legislative Auditor in a recent program audit reported that the Land Department was not enforcing the provisions of State leases requiring offset holes or unit agreements.

In one year, the State did not receive a portion of \$165,000 in oil and gas royalties it was entitled to in just one county because of lack of enforcement of the lease provisions.

The income produced from this one area will justify any additional staff needed for audit recommendation implementation.



F. Recommendation.

(1) Implementation of Prior Audits. That

(A). The Department of State Lands expeditiously put into effect recommendations of the Legislative Auditor, thereby affecting savings to the taxpayer.

(1) The Director of the Department provide the Governor with a list of audit recommendations, indicating what steps are necessary to accomplish their implementations, along with the Director's recommendation concerning each.



**Wilson Jones**

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